



Purpose: For Decision

## Committee report

Committee	<b>CABINET</b>
Date	<b>TUESDAY, 13 AUGUST 2013</b>
Title	<b>ISLE OF WIGHT NEXT GENERATION ACCESS BROADBAND – APPOINTMENT OF PREFERRED SUPPLIER</b>
Report of/to	<b>CABINET MEMBER FOR TOURISM AND THE ECONOMY</b>

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### EXECUTIVE SUMMARY

1. This report seeks members' approval to appoint (subject to contract finalisation) British Telecom (BT) as the council's preferred supplier for the installation of Next Generation Access (NGA) and basic broadband infrastructure to those parts of the Island where there is currently no commercial case for the large scale investment necessary to provide these services.
2. Members are also asked to conclude a grant agreement with the Government Department of Culture, Media and Sport (DCMS) for the provision of £3.09 million funding to match the council's funding towards the £7.6 million estimated costs of the project.
3. The project will impact 20,000 premises where there is no current commercial case to provide NGA broadband. At its conclusion in September 2015 it is expected that 99% of all premises will have access to NGA broadband services and all will have broadband speeds of at least 2 mbps (megabits per second).
4. Previous reports on the economic impact of NGA broadband suggest that approximately 1,100 jobs could be created or safeguarded in the seven year period following its installation on the Island.

### BACKGROUND

5. In December 2012 the Confederation of British Industry (CBI) reported that the Boston Consulting Group had demonstrated that the internet contributes a larger share to the UK Gross Domestic Product (GDP) than in any other G20 country. It also reported the conclusions of the McKinsey Global Institute that the internet had contributed 23% to the UK's GDP growth in the past five years and that for every job displaced by the internet through productivity gains a further 2.6 are created through innovation and new business processes.

6. The positive economic impact of the introduction of NGA broadband in an area is in the new opportunities it can create for businesses and the community, for example:
- Increases in productivity of existing businesses especially from the introduction of flexible working.
  - An area is more attractive for inward investment than those with slow speeds or poor access.
  - It is easier and less costly to start a new business if people are able to work remotely and engage with clients without the need for expensive buildings or travel.
  - Businesses are able to access new and different markets especially with the growth of e-procurement activities.
  - Internet based telecare technologies have the potential to reduce the amount spent on individuals especially those with long term conditions.
  - The public sector can communicate more quickly, easily and effectively with the communities for which it is responsible and make more informed, less costly decisions, to meet local need.
7. In formulating its own NGA broadband plan the council took into account information provided by Ericsson aggregating 124 different surveys of broadband usage which found that on average a 10% increase in high-speed internet access in most countries was worth one percentage point of GDP and that for each 1,000 homes connected to broadband 80 net jobs are created. Based on this evidence and assuming BT achieve its target of a 20% take up of NGA broadband in the 7 years after its installation it is estimated that a faster connection to all premises would lead to a growth in the Island's economy of £290 per employee and that in the order of 1,100 jobs could be created or safeguarded.
8. In 2010 the government set a target that the UK would have the best internet coverage and speeds of any country in Europe by 2015. It recognised that without public subsidy, large parts of the country would not receive the investment required to deliver these aspirations. It set aside £530m to ensure delivery of NGA broadband across the largely rural areas of the country where there was no commercial case for telecom providers to invest given the lower level of returns compared to the high cost of infrastructure provision. To achieve its objective of being the best connected country in Europe, the government established Broadband Delivery UK (BDUK) and tasked the agency to work with local authorities to deliver their projects
9. Some forty areas of the country were eligible for support from BDUK and all were required to produce a local broadband plan for approval by government and to confirm that match funding would be made available before being able to proceed. Following submission of the Isle of Wight Broadband Plan, £3.09 million has been secured from government to match the council commitment to the project. Successful suppliers are responsible for meeting any gap in the funding to deliver the contract.
10. In April 2012 the council submitted its Isle of Wight Broadband Plan to government for approval and also confirmed by letter that it had allocated £3.09 million to match fund the government's contribution to deliver faster broadband to those parts of the Island where there was no commercial case to invest in the infrastructure required.

## **Broadband Coverage on the Island**

11. Until recently the Island broadband needs had in the main been served by BT's Openreach network of copper based infrastructure principally installed to provide telephone services to most homes and businesses. Although there was some fibre and wireless infrastructure, this was limited and many premises suffered from unreliable connections and performance. The impact of slow connection has grown as the demands of new technology have placed an even greater emphasis on broadband speeds and has seen the development of newer local companies such as Wightfibre and Highpoint seeking to provide these services in some parts of the Island.
12. Commercial telecom providers including BT, Fujitsu and Virgin have all recognised the opportunities from rolling out higher speed broadband as demand for services including homeworking, tele-working, video conferencing, TV on demand and gaming increase. However, infrastructure costs have meant only the more densely populated areas of the country have received the infrastructure investment required.
13. On the Island, BT Openreach has now upgraded six telephone exchanges as part of its UK commercial roll out (Newport, Ryde, Cowes, Sandown, Shanklin and Ventnor) leaving ten exchanges yet to receive any investment. In those towns where exchanges have been upgraded this does not mean all properties have access to higher broadband speeds as investment has only been made in those street cabinets (from which homes are normally connected back to the local exchange) that have the greatest number of connections and therefore the likely higher levels of commercial return.
14. Of approximately 72,000 premises on the Island, 52,000 are planned to be covered (or are already covered) by commercial deployments. This leaves approximately 20,000 homes and businesses with no access to NGA broadband and no commercial case for future investment to be made. It is these premises that make up the "intervention area" which the council led project is intended to address

## **IW Broadband Intervention Area**

15. The intervention area for the project was identified following a public consultation with the telecoms market on its existing and future deployment plans over the next three years.
16. Two local companies responded to this exercise by declaring they had plans to invest in the provision of NGA broadband services (or their equivalent) across the Island and on that basis there is, in their view, no need for any public sector funding to support the provision of these services in any part of the proposed intervention area. This response, the investment plans and the finance available to support these plans were closely scrutinised by the council and BDUK and a number of follow up requests for information and clarification were made to the companies. Ultimately it was not possible to confirm whether and when these plans would come to fruition and they were therefore discounted from the process which identified the intervention area suitable for public funding.
17. The intervention area maps for both NGA and Basic broadband are attached as the appendix. The maps indicate "white", "grey" and "black" areas defined as:

- White – no suppliers currently providing commercial deployment of either Basic or NGA infrastructure in an area and where there are no clear and demonstrable plans to do so in the next 3 years
- Grey – one supplier currently providing NGA infrastructure or with credible plans to do so in the area over the next 3 years which would provide either Basic or NGA.
- Black – at least two suppliers currently providing basic or NGA broadband in the area or with credible plans to do so.

18. The intervention area for the Isle of Wight broadband project is limited to the “white” areas only.

### **Broadband Terminology**

19. There is often some confusion around the definitions of broadband which requires clarification given the criteria in respect of the outcomes from the project and its relationship with state aid. The BDUK project has targets for two categories of broadband, Next Generation Access (NGA) and Basic broadband:

- NGA defined as – infrastructure which consists wholly, or in part, fibre optic which is capable of high speeds than those provided over traditional copper networks. NGA must be able to deliver line speeds of at least 30 mbps. This includes Fibre To The Cabinet (FTTC) and Fibre To The Premise technology (FTTP).
- Basic defined as – infrastructure capable of delivering speeds of 2 mbps more.

20. Reference is also made to “Superfast broadband”. This is defined as providing line speeds of at least 24 mbps using NGA infrastructure.

### **Government Framework**

21. BDUK put in place through a competitive process a framework from which local authorities could procure the services of telecom companies to deliver their projects. This was intended to make the procurement process more straightforward for local authorities and to ensure a consistency of approach as well as ensure competition and therefore value for money from potential suppliers. Following an extensive process only two companies were approved as potential suppliers under the government framework, BT and Fujitsu.

22. The council did have the option of directly procuring a supplier to provide these services without using BDUK’s framework. The council would however have had to run a procurement process in accordance with The Public Contracts Regulations 2006 (as amended) and other relevant European Directives which would have added considerably to both the time and cost to reach a position of being able to appoint a preferred bidder for the services; the purpose of this paper.

23. Given the number of projects proceeding through the process, BDUK was keen to establish a “pipeline” to ensure sufficient capacity existed to both respond to and support the large number of projects being progressed. The council agreed a timetable for procuring and delivering the project but this was revised pending the government resolving state aid issues with the EU Commission. Consequently, all projects across the country were delayed. The state aid issue was resolved finally in November 2012 and the council issued its Invitation to Tender (ITT) in May 2013. At an early stage of the tendering process Fujitsu informed the council that it did not intend to bid.

### **State Aid**

24. The EU Commission has strict regulations governing state aid to ensure that public funding cannot be used where to do so would distort competition in the market place. For the purposes of the NGA broadband project this means that public money can only be spent where there is market failure and no prospect of private sector funding being applied to resolve it.
25. Permission to proceed with the project will therefore require the final approval of the Commission. BDUK has secured approval of an umbrella notification and it has been appointed as the National Competency Centre (NCC) for approving UK state aid applications for investment in NGA broadband. The council will therefore need to secure state aid approval from the NCC before entering into any contract with the preferred supplier.
26. The government’s state aid resolution has clarified that wireless technology can only be used for basic coverage and is not deemed acceptable for NGA broadband. In addition it has clarified that accessibility and cost of broadband services to the end user are legitimate considerations in determining whether there is market failure in a particular geographical area.

### **Invitation to Tender (ITT)**

27. The ITT asked bidders to propose a solution to maximise the coverage of NGA broadband in the intervention area for the level of funding available. This was on the basis that having the widest network possible would improve access to broadband based services and that further technological developments would increase the speed of the connections over time. Without a network in place it would be more difficult for the Island’s communities to benefit from any development in the scope and range of broadband services in the future.
28. The ITT did not identify any specific geographic priorities for the Island as this would ultimately affect the cost of deployment resulting in fewer properties having access to fibre broadband. The model contract that accompanied the ITT did however require suppliers to ensure their programmes aligned with the council’s highways PFI programme and in liaison with the contractor - Island Roads to minimise disruption and maximise synergies between the providers.
29. The council received a tender from BT on 28<sup>th</sup> June 2013. The tender was evaluated in line with the government framework against a series of criteria established to ensure consistency across all of the projects in the country.

## **Response to the ITT**

30. A Broadband Project Board chaired by the Deputy Director for Economy and Environment was established to oversee the development and delivery of the project. This included officers from key service areas within the council (including ICT, Finance, Legal, Procurement, Communications, PFI Contract Management, Economic Development and Planning) and representation from the Isle of Wight NHS Primary Care Trust.
31. The tender was evaluated by an officer panel established from members of the project board during July 2013. The panel included representatives from Finance, ICT, Economic Development and PFI Contract Management and was overseen by the council's procurement team. The outcome of the evaluation was presented to the Project Board on 24<sup>th</sup> July and this has informed the recommendation to Cabinet.
32. The evaluation methodology, criteria and weightings were determined by BDUK to ensure that there is consistency across all projects being delivered under the framework. This has been useful in allowing BDUK to establish some benchmarking data in order that they can advise local authorities on value for money. This is particularly valuable in circumstances where there is a single bidder.
33. In accordance with the government framework the evaluation was scored against a range of criteria including scale of coverage and speed, value, price, quality, design solution and implementation.

## **Evaluation Outcome**

34. During the evaluation process the panel sought a number of clarifications from BT to assist in the evaluation of the bid. In addition, BDUK has also provided a benchmarking report against other projects being delivered using the government framework. The council has set up meetings with BT and Island Roads in order to confirm contractual and governance issues relating to the roll out of both projects in order to maximise the benefits of joint working.
35. BDUK has confirmed that the BT bid is in line with the costs experienced by local authorities with characteristics similar to those of the Island but that some of the unit costs are at the high- end due to the relatively small scale nature of the project and the area.
36. The outcome of the evaluation process concludes that the proposal from BT is a sound technical solution that maximises coverage on the Island in line with the required project outcome set out in the ITT.

## **Preferred Supplier's Offer**

37. In summary BT's tender provides for: ...
  - A joint investment of £6.4 million to deploy superfast broadband across the intervention area on the Island.
  - A £1.2 million Innovation Fund under the control of the council.
  - Ninety-nine per cent of premises across the Island will have NGA infrastructure deployed by September 2015.

- One hundred per cent of premises to receive a minimum of 2mpbs
- In the intervention area 90% of properties are expected to receive an uplift of 10mbps or more.
- Planned completion of the main roll out by September 2015 ahead of many other areas of the country.
- Dedicated BT project lead and support appropriate to the roll out programme.
- Choice for customers by providing over 60 retail service providers selling products over the infrastructure including TalkTalk, Sky, BT infinity, Plus net etc.
- Continued benefits from BT's development of new technologies and products as they become available. BT is committed to research and development in the telecoms market.

38. The Innovation Fund is intended as a mechanism by which the delivery of the project can be adjusted or amended in order to increase infrastructure coverage and thereby exploit any opportunities that arise or are identified as the project is rolled out. These may be, for example, because of developments in technology or other inward investments to the Island which require access to NGA broadband.

### **Demand Stimulation**

39. In order to maximise the benefits of fibre broadband it is recognised that demand stimulation through marketing and a range of engagement processes can drive take up of internet services. BT is currently marketing its commercial roll out and will continue with that programme at no cost to the council over deployment across the intervention area.

40. BT has suggested also an enhanced demand stimulation package intended to drive take-up beyond 20% which would be the trigger to create financial clawback from the project for the benefit of the council. This would include an Isle of Wight branded web site, print-ready branded flyers and posters, business awareness and training material and additional press and PR support. This package of demand stimulation would cost the council an additional £98,000 over an 18 month period.

41. Any financial benefit to the council of adopting this approach would only be realised if take up of retail fibre broadband services were to exceed 20% of premises in the seven years following the deployment. Many of the proposed activities proposed by BT could however be undertaken using the council's own resources and in particular its website [iwight.com](http://iwight.com). On this basis it is considered more prudent to work with BT on their marketing which is at no cost to the council and look to enhance demand stimulation through other means.

### **STRATEGIC CONTEXT**

42. The benefits that will be delivered by the roll out of NGA broadband across the whole Island will support the priority for economic development and regeneration as set out in the "Framework for Change".

43. The project will also support key themes of the Eco Island Sustainable Community Strategy 2011-13:

- a thriving Island –enable businesses to develop and expand and provide greater inward investment opportunities for all forms of business and assist in reducing the significance of the physical separation from the mainland.
  - a healthy and supportive Island- providing greater access to on line services now and in the future particularly for those in rural areas that have difficulty due to transport and/or mobility in accessing face to face public services.
44. The council's economic development action plan 2011/12 – 2103/14 sets out six main priority areas. Priority five is to encourage the development of Next Generation Broadband infrastructure which is considered vital if the Island is to attract and retain both skilled people and hi-tech and knowledge-intensive companies. It also recognises the role it will play in providing greater access to services in rural areas and opportunities for new models of service delivery.

## CONSULTATION

45. As part of the process of securing the match funding from government and achieving approval for the Isle of Wight Broadband Plan the council undertook a combined publicity campaign and consultation process during 2012. The purpose of this was to raise awareness of the issues around broadband coverage, seek responses from residents and businesses on their current service provision and ascertain their likely future demands including what they may be prepared to pay.
46. The publicity campaign/consultation process was primarily communicated via press releases and articles in the County Press and the council web site, and included an opportunity for residents to demonstrate their support and interest for faster broadband by signing up using their post code.
47. A requirement for using the government's framework was for the council to undertake a consultation with the telecom industry to help refine the intervention area. This sought to identify both the existing network and future deployment plans for the next 3 years. The consultation is a state aid requirement to ensure that the project only focuses on the area where the market will not deliver. Responses were received from 3 telecoms operators.
48. The responses received from two local infrastructure/retail internet service providers (Wightfibre and Highpoint) raised concerns about the process undertaken by BDUK as a whole. The council undertook face to face meetings with both companies to understand their concerns in more detail and explain the council's position with regard to its use of the government framework. Both companies indicated that they had plans to invest in new infrastructure across the intervention area or already offer services via wireless technology. They claim that the publically funded project will therefore have a negative impact on their businesses and future investment plans. In order to properly complete the process of identifying the intervention area and satisfy state aid requirements, both companies were asked to provide detailed business plans to support their arguments. The council has not received anything from either company in this regard. This information would be required by the NCC also to assist it in determining whether the contract can be exempted from the state aid regulations.

## FINANCIAL / BUDGET IMPLICATIONS

49. BDUK has allocated £3.09 million capital grant to the council for the project for the period up to March 2015. The council has committed to match this funding and £3.09 million was approved as part of the council's capital programme in February 2012. The council funding will be met from prudential borrowing and for cash flow purposes it is the intention that BDUK monies will be spent before drawing on the council contribution.
50. In order to secure this grant the council has to provide assurances to BDUK that it has the capacity to deliver and manage the contract with BT on programme and to budget. This will necessitate the council resourcing a small project team to include a Project Lead and Project Manager plus some administrative support. BDUK had indicated that the team could be funded from the council's capital (£3.09 million) commitment to the project. However, BDUK has now confirmed that this is no longer acceptable and the council will need to identify additional capital funds in the order of £200,000 in order for it to manage the project effectively.
51. BT's tender identified that its capital investment in the project will be £1.56 million which creates a BT supplier investment ratio of 24%. This is lower than the average across the country but according to BDUK's value for money report, this reflects the limited size (number of premises) of the project compared with other projects. BT will be investing also revenue in the project but this will not be eligible for subsidy and will be 100% funded by BT.
52. Because of the limited number of premises, the BT proposal does not utilise the full £6.18 million of public subsidy available for the project and BT believes that it can achieve the coverage required by the council by using £4.98 million of the public subsidy alongside its own investment. The remaining £1.2 million of the public subsidy available will be set aside into an innovation fund which remains under the control of the council. Should this fund not be spent fully by the end of the project, the balance will be split between and returned to BDUK and the council on a 50:50 basis.
53. BDUK has agreed a VAT exemption with HMRC as the scheme is not for the purchase of supplies and/or services, but a joint investment by the private and public sector. This treatment of VAT in this way has been confirmed locally.
54. The contract financial model is based on a 20% take up of BT NGA broadband services by premises, once the deployment is complete in those areas. The contract also provides for a clawback to the council should levels of take up exceed 20% in the seven years following the completion of the project. This would result in an additional £375,000 for every 5% over 20%. These funds must will be placed in an investment fund held by BT for further improvements to the coverage and speed across the Island and if not fully spent by the end of the seven years the balance will be returned to the council.
55. Although the council is entering a contract to provide the infrastructure required to deliver fibre broadband this is in effect a joint investment programme with BT. At present BT's proposal is a modelled theoretical solution and is unlikely to be the 'as built' scheme that will be delivered once on-the-ground survey works have been undertaken. The success of the project and the efficient and effective use of the

resources to achieve the required outcomes will be a matter for “change control” within the contract and this will be overseen by the council's project team

## CARBON EMISSIONS

56. The opportunity to access more services on line should have a positive impact on carbon emissions as it will reduce the customers need to travel for face to face provision.

## LEGAL IMPLICATIONS

57. The council is procuring the delivery of the broadband project through the use of a framework put in place by BDUK. The framework was established following a procurement undertaken by BDUK in accordance with The Public Contracts Regulations 2006 (as amended) and relevant European Directives and may be used by those bodies whose Broadband delivery plans were accepted and approved by the Government. The use of the framework and the procurement process undertaken has been overseen by the Project Board which includes representation from the council's legal and procurement services, to ensure the council's use of the framework was carried out in accordance and complied with the requirements of the framework.
58. The state aid clearance required from the National Competency Centre (NCC) for UK state aid, will need to be secured before the council is able to confirm the award of the contract to BT and proceed with delivery of the project.

## EQUALITY AND DIVERSITY

59. The council as a public body is required to meet its statutory obligations under the Equality Act 2010 to have due regard to eliminate unlawful discrimination, promote equal opportunities between people from different groups and to foster good relations between people who share a protected characteristic and people who do not share it. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The proposal in this report has no direct impact on those with protected characteristics.

## OPTIONS

60. The following options are offered for members' consideration:
- (a) Approve BT as the preferred supplier to deliver the Isle of Wight NGA broadband project subject to BDUK and state aid approval and satisfactory agreement on any final matters in respect of the inter-relationship with the highways PFI and complete the capital grant agreement with the government (Department of Culture Media and Sport) to secure £3.09 million match funding.
  - (b) Not approve BT as the preferred supplier to deliver the Isle of Wight NGA broadband project and undertake a separate procurement exercise for the delivery of superfast broadband on the Isle of Wight outside of the government framework

- (c) Not approve BT as the preferred supplier to deliver the Isle of Wight NGA broadband project and allow the market to determine the future scale and accessibility of superfast broadband services across the Isle of Wight

## RISK MANAGEMENT

61. There is a risk that if any contract awarded to BT does not clearly align with the highways PFI contract, some roads already repaired by Island Roads will be excavated by BT to install NGA broadband cabling and the benefit of the investment in the roads is lost. It is a condition of the proposed contract with BT that this is not allowed and BT has accepted this position. A number of clauses have been agreed and added to the main contract to confirm and strengthen this position. If BT is unable to sign the final contract documentation with these clauses included then the council will not be able to proceed with the award of the contract to BT.
62. There is a risk that the two local providers of broadband services may seek to challenge the council's decision to award a contract to BT through a Judicial Review. These suppliers are of the opinion that their respective plans means there is no market failure in the intervention area and therefore the provision of any form of public sector funding to secure NGA broadband in this area would be in breach of state aid rules. The council and BDUK have done all in their respective powers to allow both of these companies sufficient time to demonstrate the plans and investment they have in place to roll out broadband to these areas; neither of the companies has been able to produce any of this information. Were they to issue any challenge through the courts they would need to provide these plans to the courts and demonstrate why they were unable to make them available to the council when asked as part of the consultation process.
63. BT's proposal has been developed based on its model for forecasting need and coverage and this is the premise on which the government's framework is based. There is a risk that once the contract starts BT may find that it is not able to reach the levels of coverage proposed within the funding available. The existence of the innovation fund helps to mitigate this risk on the basis that the council will be able to release funds to ensure that the promised 99% coverage is achieved.
64. The appointment of the project team to manage the contract with BT (and the grant agreement with BDUK) is important to mitigate against the risk of BT overcharging for works and seeking to draw down the innovation fund inappropriately. Management of the contract will permit the council to consider any and all opportunities that arise for the reach of fibre broadband to be extended across the Island. If the costs of the contract are managed appropriately it is likely the costs of the team itself will be recovered from savings made on the contract.
65. There is a risk that if the broadband project does not proceed then the Island will not have another opportunity to ensure the Island has a comprehensive NGA broadband network with a coverage that cannot be matched by other areas of the country. The presence of a comprehensive NGA broadband network will be a key element in attracting investors, businesses and individuals looking to relocate and could be a significant driver of economic growth and improvement on the Island. If the installation of the broadband network is delayed or left to the market then the competitive advantage which it could create for the Island would almost certainly be lost.

66. There is a risk that any significant delay in conclusion of the grant agreement could jeopardise access to these funds as the government has indicated that its resources may not be available beyond March 2015.
67. An operational risk log has been maintained throughout the development and procurement of the contract and this has been regularly updated at the project board. These risks will continue to be assessed, monitored and managed as the contract proceeds.

## EVALUATION

68. A number of reports have highlighted the potential economic benefits of the installation of NGA broadband in a geographical area. These benefits may be as great as the creation/safeguarding of approximately 1,100 jobs (300 in the intervention area) and a rise in the Island's Gross Domestic Product (GDP) which would increase the levels of disposal income in the Island's community. These benefits will be maximised through the appointment of BT as the preferred supplier charged with providing NGA broadband across the whole Island by the agreed date of September 2015.
69. The council is able to secure the benefits of this whole Island upgrade on the basis of the funding it has committed to the project and the matched funding provided by government for it. In addition the use of the government's own framework for the provision of these services has significantly reduced both the cost and time the council would need to invest in their procurement should it wish to undertake the project on its own. Although there is an associated project management cost to ensure the project is delivered on time and to budget this would be required whichever procurement route the council adopted (if any).
70. The £6.2 million of public sector funding into the project is a significant commitment but will also make the Island one of the best connected areas in the country (for coverage) as over 99% of premises will have access to NGA broadband. Accessibility to NGA broadband is an increasingly important driver of economic investment and development and provides the Isle of Wight with another strong theme on which to develop its economic development activities.
71. Work undertaken by the council would indicate that if the roll out of NGA broadband were left to the private sector then some 28% of premises may never have access to these services as they would only be upgraded as and when it was commercially viable to do so. It will therefore be difficult for the Island to maximise the potential economic benefits from the installation of NGA broadband as it would be likely to be rolled out on a piecemeal timeframe without the benefit of a clear end date from which businesses and the public could plan to receive improved NGA broadband services.
72. Managing the relationship between the contracts for the installation of NGA broadband and for the highways PFI will be critical to the success of both projects. Guidelines for bidders and subsequent post tender clarifications have made it clear to BT that its appointment as preferred bidder leading to the signing of a contract for the works can only be done on the basis of that it contractually commits to planning its works with and around Island Roads' plans and that it has to work with Island Roads to agree the programme of works. This has been accepted by BT and Island Roads are comfortable with the agreements being developed for this purpose.

73. The concept of the innovation fund within BT's proposal and the clawback arrangements provide the council the opportunity to consider developments and enhancements to the coverage of the NGA broadband project to help it further deliver against its corporate objectives. It may for example be possible to provide schools, libraries, visitor information points and other community premises with dedicated NGA broadband links but only after the council is assured that the project's main outcomes can be delivered on time and to budget

#### RECOMMENDATION

74. On the basis of the information contained in this report it is recommended the council adopts options (a):

Approve BT as the preferred supplier to deliver the Isle of Wight NGA broadband project subject to BDUK and state aid approval and satisfactory agreement on any final matters in respect of the inter-relationship with the highways PFI and complete the capital grant agreement with the government (Department of Culture Media and Sport) to secure £3.09 million match funding

#### APPENDICES ATTACHED

[APPENDIX](#) – Isle of Wight Intervention Area Map

#### BACKGROUND PAPERS

- [Isle of Wight Local Broadband Plan](#)
- [Isle of Wight Letter to BDUK confirming funding](#)
- [Economic Development Action Plan 211/12 – 13/14](#)

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